

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

September 22, 2006

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

Permission to Hire Consultant for Land Division to Assist DLNR in the Review of Plans and Documents Submitted from Jacoby Development, Inc. for Master-Planned Project at Kealakehe, Hawaii

BACKGROUND:

DLNR is the owner of approximately 300 acres of land at Kealakehe, Hawaii, adjacent to the Honokohau Small Boat Harbor.

DLNR has entered into a development agreement with Jacoby Development, Inc. ("JDI") for JDI's development of a 500-acre master-planned mixed use project on the aforementioned 300 acres and 200 acres of adjacent lands leased from the Department of Hawaiian Home Lands ("DHHL").

Under the development agreement, JDI is required to submit a master development plan ("MDP") for the entire project. The MDP will provide further details of JDI's master plan for the project, including the estimated sizes and locations of the various project components (which is expected to include marina, hotel, timeshare, commercial, and community oriented components), proposed zoning for the project, timelines (for the planning, design and construction of the project), proposed project phasing, a schedule and budget for obtaining all required land use entitlements, and cost estimates for the construction of the new marina and the first phase of the entire project. JDI will also be required to submit other documentation/information to substantiate the feasibility of the project, e.g., a business plan, market study(ies), and a pro forma operating statement.

In addition to the MDP, JDI will also be submitting a core infrastructure plan ("CIP") detailing the major infrastructure that JDI will design and construct for the project (including major roadways and utility infrastructure) and a budget for such core infrastructure.

JDI is required to submit the MDP and CIP by no later than November 17, 2006 for approval by the Board of Land and Natural Resources ("Board"). JDI has indicated it may submit these materials as early as October 2006. Once submitted, BLNR has 90 days in which to approve or object to the MDP and CIP.

SCOPE OF WORK:

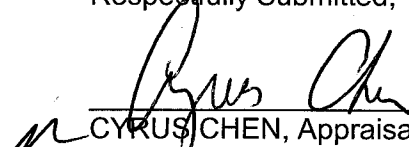
DLNR is seeking to retain a qualified appraisal and/or real estate development firm to assist DLNR in reviewing the MDP, CIP, and other supporting documentation (i.e.,

business plan, market study(ies), and operating statements) and advising DLNR as to the feasibility of JDI's proposed project. For example, JDI expects the sales proceeds from the projected 2,500 timeshare units to be a primary source of funding for the construction of the core infrastructure and new marina. Therefore, Land Division would require the appraisal and/or real estate development firm to review JDI's market studies and financial projections and confirm whether JDI's projected revenues from timeshare sales are supported by the marketplace. DLNR may also require the selected firm to prepare and submit written reports detailing its analysis/evaluation of the project (or certain project components) or submitted materials, and may also require the selected firm to appear before the Board to answer questions regarding their analysis/evaluation.

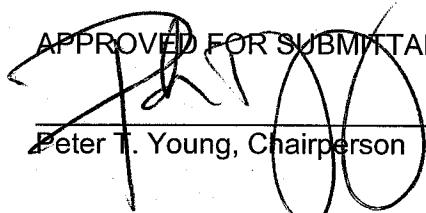
RECOMMENDATION:

That the Board authorize the Chairperson to proceed with hiring a consultant to assist DLNR in reviewing materials submitted by JDI for the Kealakehe project as described above.

Respectfully Submitted,


CYRUS CHEN, Appraisal Manager

APPROVED FOR SUBMITTAL:


Peter T. Young, Chairperson